

Message Text

SECRET

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S E C R E T SECTION 01 OF 02 CAIRO 12323

EXDIS

E.O. 11652: GDS
TAGS: EFIN, EAID, IBRD, EG
SUBJECT: TALK WITH VP MUBARAK RE ECONOMIC MATTERS

SUMMARY: DISCUSSED WITH VP MUBARAK IBRD AND OTHER DONOR CONCERNS ABOUT POSSIBLE LACK OF CONTINUITY IN TOP EGYPTIAN ECONOMIC LEADERSHIP FOLLOWING KAISOUNI'S RESIGNATION AND CONTINUING UNCERTAINTY WHETHER LATTER CAN BE PREVAILED UPON TO REMAIN. KAISOUNI, I NOTED, HAS INTERNATIONAL IMAGE WHICH HAS BEEN OF CONSIDERABLE BENEFIT TO GOE THIS PAST YEAR. LACK OF CONTINUITY COULD HAVE NEGATIVE EFFECT ON UPCOMING CONSULTATIVE GROUP MEETING AND MIGHT EVEN RESULT IN ITS POSTPONEMENT. THIS WOULD NOT BE GOOD FOR EGYPT. ALSO DISCUSSED NEED FOR EARLY, HIGHER LEVEL GOE APPROACH TO SAUDIS AND GULF STATES RE CY78 CODE ASSISTANCE, PREFERABLY PRIOR CG MEETING. DISCUSSIONS SHOULD NOT BE LEFT AT MIDDLE GRADE, TECHNICAL LEVEL, SINCE DECISIONS NOT POSSIBLE AT THAT LEVEL. MUBARAK, WHO IS NOT PARTICULARLY KNOWLEDGEABLE OF ECONOMIC AFFAIRS, OPINED KAISOUNI WILL PROBABLY NOT REMAIN IN RESHUFFLED CABINET, ALTHOUGH EL-SAYEH AND SALAH HAMAD HAVE AGREED

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STAY. HE AGREED IMAGE AND CONTINUITY CONSIDERATIONS NEED BE CAREFULLY WEIGHED BY GOE BEFORE REACHING FINAL DECISION AND UNDERTOOK RAISE MATTER WITH SADAT AND SALEM AT ONCE. IN MAKING ABOVE POINTS, I STRESSED I WAS NOT SEEKING INTERFERE IN EGYPTIAN INTERNAL AFFAIRS, DECISIONS RE WHICH ARE SOLELY FOR EGYPTIAN LEADERSHIP TO MAKE. I WAS SIMPLY MAKING THE POINTS, AND ON A PERSONAL BASIS,

IN THE CONTEXT OF OUR OWN LONG-STANDING EFFORTS ASSIST GOE IN ECONOMIC FIELD AND OUR EFFORTS WITH IBRD AND OTHER DONORS. I WAS CONVEYING SOME OF THE WORRIES THEY HAVE RECENTLY EXPRESSED TO US. MUBARAK ACCEPTED COMMENTS IN THAT SPIRIT. WE WILL HAVE TO SEE WHAT, IF ANY, WEIGHT GOE GIVES TO THESE CONSIDERATIONS. END SUMMARY.

1. AFTER I HAD FINISHED DISCUSSING VARIOUS OTHER MATTERS WITH VP MUBARAK LAST NIGHT (SEPTELS), I SAID I HAD TWO RELATED ECONOMIC MATTERS I WISHED TO DISCUSS WITH HIM. I WAS DOING SO ON PERSONAL BASIS. AS HE KNEW, WE HAVE FOR PAST FOUR YEARS CONSISTENTLY PROVIDED HIGH LEVEL OF ECONOMIC ASSISTANCE TO EGYPT. WE VIEW THIS AS A MEANS TO SUPPORT SADAT AND THE MODERATE POLICIES THAT THE PRESIDENT STANDS FOR. WE HOPE TO CONTINUE TO DO SO AND HAVE URGED OTHER DONORS TO CONTINUE THEIR SUPPORT.

2. IN CONTEXT OF OUR CLOSE ECONOMIC RELATIONS, WE HAVE BEEN LOOKING FORWARD TO UPCOMING CONSULTATIVE GROUP MEETING UNDER IBRD AUSPICES. THIS WILL BE SECOND CG MEETING. IT COULD BE OF CONSIDERABLE IMPORTANCE TO EGYPT IN OBTAINING FURTHER DONOR ASSISTANCE. SHORT TIME AGO, MINECON HAMED EL SAYEH HAD EXPRESSED CONCERN THAT IBRD MIGHT SEEK TO POSTPONE CG MEETING AND HAD ASKED THAT WE URGE IBRD NOT TO DO SO. IN AN EFFORT BE HELPFUL, WE DISCUSSED SUBJECT WITH IBRD OFFICIALS. ON THEIR PART,
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IBRD OFFICIALS EXPRESSED CONCERN THAT GOE DOES NOT YET HAVE NECESSARY DOCUMENTATION PREPARED AND, EVEN MORE IMPORTANTLY, ABOUT UNCERTAINTY THAT THERE WILL BE CONTINUITY IN GOE ECONOMIC LEADERSHIP. IN THIS CONNECTION, I THOUGHT MUBARAK SHOULD KNOW THAT REPORTS OF KAISSOUNI'S RESIGNATION AND UNCERTAINTY AS TO WHETHER OR NOT HE CAN BE PERSUADED TO REMAIN IN CABINET ARE HAVING UNSETTLING EFFECT. KAISSOUNI HAS INTERNATIONAL IMAGE, WHICH HAS BEEN HELPFUL TO GOE THIS PAST YEAR. I HOPED THAT IN IMMINENT CABINET RESHUFFLE, THIS ASPECT WILL BE TAKEN INTO ACCOUNT AND SATISFACTORILY RESOLVED.

3. MUBARAK SEEMED NOT TO HAVE THOUGHT OF THIS, BUT READILY ACCEPTED THE NEED FOR CONTINUITY. HE COMMENTED THAT KAISSOUNI WILL PROBABLY NOT BE IN RESHUFFLED CABINET--AT LEAST THIS IS PRIMIN MAMDUH SALEM'S IDEA. HOWEVER, MINECON HAMED EL SAYEH AND MINFINANCE MAHMOUD SALADIN HAMED HAD AGREED TO STAY ON. (I COULD NOT TELL MUBARAK THAT EL SAYEH, IN TELLING ME A FEW DAYS AGO THAT HE HAD BEEN ASKED TO STAY ON, HAD ALSO INDICATED HIS UNDERSTANDING KAISSOUNI WOULD REMAIN AS DEPUTY PRIMIN.) I SAID I HAD HIGH REGARD FOR EL SAYEH, BUT KAISSOUNI'S

DEPARTURE WOULD RAISE DOUBTS IN MINDS OF IBRD AND DONORS.
I STRESSED IT IS ENTIRELY GOE'S BUSINESS WHOM TO APPOINT
AND I WAS IN NO WAY SEEKING TO INTERFERE IN ITS DECISION.
AS A FRIEND, AND A REPRESENTATIVE OF A COUNTRY WHICH HAS
WORKED HARD TO SUPPORT EGYPT'S CASE FOR ASSISTANCE WITH
OTHER DONORS, I WONDERED WHETHER GOE LEADERSHIP HAD GIVEN
FULL WEIGHT TO IMPORTANT CONTINUITY AND IMAGE CONSIDERA-
TIONS IN TERMS OF ECONOMIC LEADERSHIP.

4. MUBARAK TOOK THE POINT. HE SAID SALEM HAD SEEN

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SADAT EARLIER IN THE DAY TO DISCUSS NEW MINISTERS, BUT
THOUGHT ISSUE NOT YET FINALIZED. HE UNDERTOOK BE IN
TOUCH WITH SADAT AND SALEM AT ONCE TO BRING THIS ASPECT
TO THEIR ATTENTION. I AGAIN STRESSED THAT I HAD NO
INTEREST IN PUSHING THE CAUSE OF ANY INDIVIDUAL, BUT
SIMPLY WISHED TO SUGGEST THAT GOE NOT IGNORE VERY
IMPORTANT FACTOR OF IBRD AND DONOR REACTION TO CABINET
SHIFTS. MUBARAK SAID GOE HAS NO COMPLEXES AND HE
ACCEPTED MY COMMENTS IN SPIRIT INTENDED.

5. I THEN RAISED QUESTION OF GODE ASSISTANCE FOR REST
OF CY78. I NOTED THAT AT LAST REPORT ROUGHLY \$200
MILLION REMAIN OF ORIGINAL \$2 BILLION GODE ASSISTANCE.
AT PRESENT RATE OF DISBURSEMENT, THIS WILL PROBABLY BE
USED UP TOWARD END OF JUNE. QUESTION OF FUTURE GODE
ASSISTANCE HAS THUS FAR BEEN ADDRESSED ONLY AT MIDDLE
GRADE, TECHNICAL LEVEL, I.E., DUKHAIL, ALI NAGM AND MORGAN

STANLEY AIDES. BUT NO DECISIONS CAN BE REACHED AT THAT LEVEL. WE HAVE DISCUSSED WITH SAUDIS AT HIGHER LEVEL NEED FOR CONTINUING ECONOMIC ASSISTANCE TO EGYPT AND HAVE POINTED OUT OUR CONGRESS, IN CONSIDERING AID REQUESTS
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FOR EGYPT, INVARIABLY ASKS WHAT ARABS ARE DOING. WE FOUND IT SURPRISING THAT GOE HAS NOT YET APPROACHED SAUDIS AND OTHER GODE DONORS AT HIGHER LEVEL WHERE DECISIONS WILL BE MADE. TIME IS RUNNING SHORT. I COULD TELL HIM THAT IBRD OFFICIALS HAVE BEEN SIMILARLY CONCERNED.

6. WHILE I RECOGNIZED THERE MIGHT BE CONSIDERATIONS UNKNOWN TO ME INHIBITING A HIGHER LEVEL EGYPTIAN APPROACH TO SAUDIS AND GULF DONORS AT THIS TIME, I WONDERED IF THIS IS NOT SOMETHING THAT HAS SIMPLY FALLEN BETWEEN CHAIRS. I URGED THAT MUBARAK TAKE UP THE MATTER WITH SADAT, PRIMIN AND OTHER SENIOR CABINET MEMBERS AND, HOPEFULLY, ARRANGE THAT HIGHER LEVEL GOE APPROACH SOON BE MADE TO SAG AND GODE DONORS. MUBARAK SEEMED UNAWARE OF SITUATION. HE ASKED ON WHAT LEVEL I THOUGHT APPROACH SHOULD BE MADE. I SUGGESTED THAT IN FIRST INSTANCE IT MIGHT BE DONE BY EGYPTIAN OFFICIAL OF RANK AND INTERNATIONAL REPUTATION OF DEPUTY PRIMIN KAISSOUNI, IF HE STILL IN GOVT, OR BY SENIOR ECONOMIC MINISTER. ON SAUDI SIDE, MATTER WOULD PROBABLY BE HANDLED WITH MINFINANCE ABA AL-KHAYL, BUT WHOEVER MAKES IT ON EGYPTIAN SIDE, GOE SHOULD INSURE THAT IT MAKES STRONG, EFFECTIVE, WELL-DOCUMENTED CASE. SAUDIS AND OTHERS HAVE, UNFORTUNATELY, COME TO QUESTION EGYPTIAN FIGURES. DEPENDING UPON RESULTS OF SUCH A HIGHER LEVEL APPROACH, PRESIDENT SADAT MIGHT COMMUNICATE AT LATER POINT WITH KING KHALID AND/OR PRINCE FAHD ON THE SUBJECT.

7. I EMPHASIZED DESIRABILITY OF SUCH HIGH LEVEL CONSULTATIONS WITH SAUDI ARABIA AND GULF DONORS PRIOR TO CG MEETING IN MID-JUNE SO THAT GODE MEMBERS CAN COME PREPARED IN TERMS OF HELP THEY MIGHT BE WILLING TO GIVE. MUBARAK STATED HE WILL RAISE SUBJECT WITH SADAT
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AND SALEM WITHOUT DELAY AND PERSONALLY AGREED HIGHER LEVEL APPROACH SHOULD BE MADE WITHOUT DELAY.

8. WE WILL NOW HAVE TO SEE HOW, IF AT ALL, GOE FOLLOWS THROUGH ON ABOVE SUBJECTS. EILTS

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